

## Message Text

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ACTION EB-07

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R 220259Z JAN 76

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 6259

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EXCON

E.O. 11652: N/A

TAGS: ESTC, JA

SUBJECT: PRE-LICENSING EXTRANCHECK: BEWT CASE NO. A190849

REF: STATE 008965

1. IN RESPONSE TO EMBASSY INQUIRY, MANAGING DIR TOSHIMASA KANAI OF TOHO TRADING CO., LTD. (TTC), SEKINO BLDG., 4-1, NISHI SHIMBASHI 2-CHOME, MINATO-KU, TOKYO, JAPAN, STATED 157,500 PCS OF INTEGRATED CIRCUITS (IC'S) UNDER INVESTIGATION WILL BE IMPORTED DIRECTLY BY TTC FROM HARRIS SEMICONDUCTOR INC., OF DELAWARE, FLORICA (HSI FLORIDA) UNDER I/C NO. TKO-75-02618-U AND WILL BE RE-EXPORTED DIRECTLY TO FOUR MANUFACTURERS OF DIGITAL WATCHES IN SEOUL, REPUBLIC OF KOREA AS FOLLOWS: (A) 80,000 PCS TO OLYMPOS ELECTRONICS CO., LTD., NO. 236-2, GURO-DONG, YEONG-DEUNGPO-GU, SEOUL; (B) 57,000 PCS TO DONG KWANG ENTERPRISE CO., LTD., NO. 17-12, 4-GA, NAMDAEMUNRO, JUNG-GU, SEOUL; (C) 10,000 PCS TO MINSUNG ELECTRONICS, LTD., NO. 277-6, DEUNGCHEN-DONG, YEONG-DEUNGPO-GU, SEOUL; AND (D) 10,000 PCS TO HAN-DOK INDUSTRIAL CO., LTD., NO. 11, MUGYO-DONG, JUNG-GU, SEOUL. HE STATED THOSE IC'S ARE TO BE INCORPORATED INTO 157,500 PCS OF DIGITAL WATCHES ASSEMBLED AND SHIPPED TO WHOLESALERS IN U.S. (SOME 80 PERCENT OF TOTAL QUANTITY), WEST EUROPE (10 PERCENT) AND SOUTH KOREA (REMAINING 10 PERCENT) BY ABOVE FOUR MANUFACTURERS IN SEOUL.

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2. THESE TRANSACTIONS REPRESENT CONTINUATION OF PAST TRADE PATTERNS, MR. KANAI STATED, EXCEPT THAT IC'S, FORMERLY SHIPPED TO KOREAN FIRMS DIRECTLY FROM U.S., FORMERLY SHIPPED TO KOREAN FIRMS DIRECTLY FROM U.S., WILL NOW BE ROUTED THROUGH TTC IN TOKYO. HE SAID THAT TTC HAS BEEN SUPPLYING OTHER PARTS OF DIGITAL WATCHES TO SIX KOREAN ASSEMBLERS SINCE SEPT 1974, WHILE THEY HAD BEEN IMPORTING IC'S INDIVIDUALLY AND DIRECTLY FROM HSI FLORIDA. HE SAID KOREAN FIRMS REQUESTED THAT TTC BE ALLOWED TO IMPORT IC'S WHICH THEY REQUIRED EN BLOC FROM HSI FAR FLORIDA AND DELIVER THEM TOGETHER WITH OTHER WATCH PARTS WHICH TTC HAS TRADITIONALLY SUPPLIED TO THEM. HSI FAR EAST IN TOKYO, WHICH HOLDS THE RIGHT TO DESIGNATE AN AGENT IN JAPAN, APPROVED THIS REVISION OF PREVIOUS TRADE PATTERN AND APPROVED TTC AS DISTRIBUTION AGENT FOR HSI-MADE IC'S. THE IC'S UNDER INVESTIGATION WILL THUS BECOME THE FIRST OF SUCCESSIVE SHIPMENTS TO BE MADE BY HSI FLORIDA TO TTC FOR DELIVERY TO SIX KOREAN MAKERS, I.E. THE FOUR MENTIONED IN PARA 1 ABOVE PLUS A NAM INDUSTRIAL CO., LTD., NO. 151-22, HWAYANG-DONG, SERNGDONG-GU, SEOUL AND SHINYEONG ELECTRONICS CO., LTD., NO. 192, YUNCHANG-DONG, YEONG-DEUNGPO-GU, SEOUL.

3. IN REPLY TO EMBASSY INQUIRY, MARKETING DIR TAKUO MIMURA OF HSI FAR EAST, TIME-LIFE BLDG., NO. 2-3-6, OHTEMACHI, CHIYODA-KU, TOKYO, JAPAN, CONFIRMED MR. KANAI'S ABOVE STATEMENT. HE STATED THAT (A) HIS OFFICE WAS OPENED IN APRIL 1974 AS JAPAN BRANCH OF HSI FLORIDA, WHICH IN TURN IS A WHOLLY-OWNED SUBSIDIARY OF HARRIS CORP., CLEVELAND, OHIO; (B) AN EXCLUSIVE SALES CONTRACT WAS CONCLUDED BETWEEN TTC AND HIS OFFICE ON NOV 20, 1975 TO GIVE TTC THE EXCLUSIVE RIGHT TO RESELL HSI-MADE IC'S FROM JAPAN TO ROK; AND (C) ABOVE ARRANGEMENT WAS MADE IN RESPONSE TO REQUEST MADE BY ABOVE SIX KOREAN FIRMS WHICH HAD RECOMMENDED TTC AS RELIABLE AGENT FOR HSI IN VIEW OF THEIR PAST TRANSACTIONS WITH TTC FOR WATCH PARTS OTHER THAN IC'S. ORIGINAL SIGNED AGREEMENT BETWEEN TTC AND HSI FAR EAST WAS VIEWED AND CONFIRMED BY EMBASSY STAFF.

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4. EMBASSY INVESTIGATION REVEALS THAT TTC, ESTABLISHED BY PRESENT PRESIDENT SHEONG CHOON KIM (KOREAN NATIONAL) IN 1956, IS PRESENTLY CAPITALIZED AT 12 MILLION YEN AND HAS 15 EMPLOYEES. IT ALSO HAS A BRANCH IN SEOUL. IT IMPORTS AGRICULTURAL AND MARINE PRODUCTS AND MINERALS AND EXPORTS STEEL, NON-FERROUS METALS, ELECTRONIC AND OTHER TYPES OF MACHINERY. NO DEROGATORY INFORMATION HAS BEEN ENCOUNTERED.

5. EMBASSY RECOMMENDS COMMERCE ISSURANCE OF E/L FOR HSI FLORIDA'S SHIPMENT OF 157,500 IC'S TO TTC, IN LIGHT OF OUR INVESTIGATION RESULTS MENTIONED IN PARA 1 ABOVE.

6. EMBASSY ALSO RECOMMENDS TTC AS CONSIGNEE UNDER DIB-678P PROCEDURE, BASED ON FACTS THAT (A) TTC IS AGENT FORMALLY DESIGNATED BY HSI FAR EAST, WHOLLY OWNED BRANCH OF AMERICAN FIRM; AND (B) HSI FLORIDA'S SHIPMENTS OF IC'S TO TTC APPEAR IN CONFORMITY WITH PART 373.3-(A) AND (B) IN TERMS OF DESTINATION AND COMMODITY, AS WELL AS PART 373.3-(C)-(2) IN TERMS OF PREREQUISITE VOLUME OF BUSINESS (BOTH TTC AND HSI FAR EAST ESTIMATED THE ANNUAL TOTAL TO REACH AT LEAST TWO MILLION PCS WHICH THEY BELIEVE WOULD REQUIRE APPROXIMATELY FORTY INDIVIDUAL VALIDATED EXPORT LICENSES IF NOT REPLACED BY DIB-678P PROCEDURE).  
SHOESMITH

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**Copy:** SINGLE  
**Draft Date:** 22 JAN 1976  
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**Disposition Authority:** n/a  
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